

Message Text

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ORIGIN EB-07

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TO AMEMBASSY LUXEMBOURG IMMEDIATE

AMEMBASSY BERN IMMEDIATE

AMEMBASSY CANBERRA IMMEDIATE

AMEMBASSY MADRID IMMEDIATE

AMEMBASSY OTTAWA IMMEDIATE

AMEMBASSY STOCKHOLM IMMEDIATE

AMEMBASSY TOKYO IMMEDIATE

USMISSION EC BRUSSELS IMMEDIATE

USMISSION OECD PARIS IMMEDIATE

AMEMBASSY PARIS IMMEDIATE

AMEMBASSY LONDON IMMEDIATE

AMEMBASSY BONN IMMEDIATE

AMEMBASSY ROME IMMEDIATE

AMEMBASSY DUBLIN IMMEDIATE

AMEMBASSY COPENHAGEN IMMEDIATE

AMEMBASSY THE HAGUE IMMEDIATE

C O N F I D E N T I A L STATE 220394

E.O. 11652: GDS

TAGS: OECD, CIEC

SUBJECT: CIEC - US COMMENTS ON CANADIAN DRAFT LANGUAGE

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ON CIEC WORK PROGRAMS.

REF: OECD PARIS 25593

1. ON SEPTEMBER 3, DEPARTMENT GAVE CANADIAN EMBASSY IN WASHINGTON FOLLOWING WRITTEN COMMENTS ON TEXTS PROPOSED BY CANADIANS TO PEREZ GUERRERO:

BEGIN TEXT: CHAPEAU - WE FIND THE LANGUAGE PROPOSED BY THE CANADIAN CO-CHAIRMAN TO BE ACCEPTABLE. SIMILARLY, WE WOULD BE ABLE TO ACCEPT THE AMENDMENTS SUGGESTED BY THE VENEZUELAN CO-CHAIRMAN, INCLUDING THE REFERENCE TO THE AGREEMENTS REACHED AT THE SENIOR OFFICIALS MEETING.

DEBT - THE UNITED STATES WOULD STRONGLY PREFER THE FOLLOWING LANGUAGE ON DEBT WHICH INCORPORATES THREE CHANGES IN THE CANADIAN DRAFT:

"CIEC IS AN APPROPRIATE FORUM FOR DEALING WITH THE PROBLEMS OF INDEBTEDNESS OF DEVELOPING COUNTRIES. THE COMMISSION ON FINANCIAL AFFAIRS WILL FORMULATE PROPOSALS REGARDING

FEATURES WHICH COULD PROVIDE GUIDANCE FOR DEBT REORGANIZATION OPERATIONS IN ACUTE DEBT SERVICING CRISES. THE COMMISSION ON DEVELOPMENT WILL CONSIDER BROAD ASPECTS OF THE INDEBTEDNESS OF DEVELOPING COUNTRIES INCLUDING PROPOSALS FOR MEASURES TO DEAL WITH STRUCTURAL FINANCIAL PROBLEMS OF DEVELOPING COUNTRIES DEPENDING LARGELY UPON AID, OF WHICH DEBT SERVICE IS AN ELEMENT. THESE WOULD INCLUDE.....TRANSFER OF RESOURCES."

THE FIRST CHANGE RETURNS THE TEXT TO THE LANGUAGE OF THE UNCTAD IV DEBT RESOLUTION, TO WHICH EVERYONE HAS AGREED. THIS WOULD SEEM PREFERABLE TO PUTTING IN NEW WORDS SUCH AS "PRINCIPLES OR FEATURES." THE SECOND IS DESIGNED TO MAKE CLEAR A DISTINCTION WHICH ALL MEMBERS OF THE G-8 HAVE FELT IMPORTANT, THAT BETWEEN ACUTE DEBT CRISES AND THOSE WHERE A MORE GENERAL PROBLEM OF BALANCE OF PAYMENTS FINANCING AND RESOURCE TRANSFER MAY BE INVOLVED. THE THIRD CHANGE IS THE MOST IMPORTANT. THE WORDING IN CONFIDENTIAL

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THE CANADIAN DRAFT WOULD LEAVE THE IMPRESSION WITH THE G-19 THAT G-8 COUNTRIES WILL IN THE END AGREE TO PROPOSALS FOR AUTOMATIC, IMMEDIATE DEBT RELIEF. OUR FORMULATION AIMS TO AVOID ANY SUCH MISCONCEPTIONS WHILE LEAVING THE DOOR OPEN FOR THE G-19 TO RAISE SUCH PROPOSALS AGAIN IF THEY WISH.

PURCHASING POWER - THE UNITED STATES WOULD PREFER THE

FOLLOWING LANGUAGE ON PURCHASING POWER WHICH WOULD MAKE TWO CHANGES IN THE CANADIAN DRAFT:

"PRESERVATION OF PURCHASING POWER - THE ENERGY COMMISSION WILL CONSIDER PROPOSALS FOR THE PRESERVATION OF PURCHASING POWER OF ENERGY EXPORT EARNINGS, INCLUDING ACCUMULATED REVENUES FROM OIL EXPORTS, WITHIN A GENERAL FRAMEWORK OF THE IMPROVEMENT OF THE EXPORT EARNINGS OF DEVELOPING COUNTRIES, VIS-A-VIS AMONG OTHER FACTORS, INFLATION IN INDUSTRIALIZED COUNTRIES, CHANGES IN PRICES OF IMPORTED GOODS AND SERVICES AND OTHER ECONOMIC FACTORS."

WE BELIEVE IT IMPORTANT THAT, IF THE INDUSTRIALIZED COUNTRIES IN THE ENERGY COMMISSION ACCEPT LANGUAGE ON THE PRESERVATION OF PURCHASING POWER, IT BE EXPLICITLY STATED, AS IN THE CASE OF DEBT, THAT WE WILL CONSIDER "PROPOSALS" FOR SUCH. IN ADDITION, WE WOULD PREFER TO DELETE THE FINAL PHRASE OF THE CANADIAN PARAGRAPH "ESSENTIAL TO THE ECONOMIC PROGRESS OF OIL EXPORTING COUNTRIES". IN OUR VIEW, THE ECONOMIC FACTORS TO WHICH THE PHRASE APPLIES ARE RELEVANT TO THE ECONOMIC PROGRESS OF ALL COUNTRIES, NOT JUST THE OIL EXPORTERS.

ALSO, WE WISH TO EMPHASIZE THAT OUR ACCEPTANCE OF THIS LANGUAGE ON THE ISSUE OF PURCHASING POWER IS CONTINGENT ON THE INCORPORATION OF ADEQUATE LANGUAGE IN THE COMMISSION'S WORK PROGRAM CONCERNING THE RELATIONSHIP BETWEEN ENERGY PRICES AND THE GENERAL WORLD ECONOMY. THE DEBATE IN THE ENERGY COMMISSION IN JULY CENTERED ON THE ISSUE OF PURCHASING POWER, BUT THE ISSUE OF THE GENERAL IMPLICATIONS OF ENERGY PRICES--A FUNDAMENTAL ELEMENT OF THE POSITION OF THE INDUSTRIALIZED COUNTRIES ON THE QUESTION OF ENERGY PRICES--WAS ALSO UNRESOLVED. THE CONFIDENTIAL

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AGENDA PROPOSAL TABLED BY THE TWO COCHAIRMAN OF THE ENERGY COMMISSION ON JULY 17 CONTAINED LANGUAGE ON THIS POINT WHICH WAS ACCEPTABLE TO US AS FOLLOWS:

"THE ROLE OF ENERGY PRICES AND THE PRICES OF OTHER MAJOR ECONOMIC INPUTS IN THE WORLD ECONOMIC SITUATION INCLUDING GROWTH, INFLATION, AND INVESTMENT." END TEXT. ROBINSON

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